



HOUSE BUDGET COMMITTEE

Democratic Caucus

The Honorable John M. Spratt Jr. # Ranking Democratic Member

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The Missing Budget

Dear Democratic Colleague,

The "budget" on which the Congress will vote this week is a budget in name only. The attached article from Sunday's *New York Times* by Paul Krugman explains why. Professor Krugman notes that the conference agreement on the budget resolution omits mention of costly items that we all know should be included in any credible representation of the Bush agenda. The agreement doesn't tell us:

how much additional funding a national missile defense and military modernization will require,

how a realistic Medicare prescription drug benefit will be paid for without shortening the solvency of the Medicare trust fund,

how the government will provide basic services despite declining resources to a growing population,

how much more revenue will be lost because of the tax cut's intolerable interactions with the alternative minimum tax, and

where the money will come from to extend the solvency of Social Security and Medicare.

Last week's budget floor debacle provides the Congress and the American people with a few days to examine the conference agreement and its abundant flaws. Even a cursory examination reveals this budget is a procedural vehicle to ease passage of an excessive tax cut. These tax cuts come at the expense of other national priorities, including Medicare, Social Security, education and environmental protection.

In 1981, the Congress hastily enacted an excessive tax cut premised on a "magic asterisk," an implausible claim to eliminate spending sometime in the future. The predictable result was a quadrupling of the public debt. It has taken almost twenty years of fiscal discipline to put our finances in order.

Repeating the mistakes of 1981 now would be sheer folly. In seven short years, the first baby boomers will begin to retire, and the number of retirees will accelerate dramatically. Putting our nation back on the road to deficits and debt would be a mistake with profound long-term consequences to our economic strength and the best interests of the American people.

Sincerely,
John M. Spratt, Jr.
Ranking Democratic Member

Reckonings

PAUL KRUGMAN

*More
Missing
Pages*

It was, if you believe the official story, a case of farce majeure: House Republican leaders had to call off Thursday's planned vote on the budget resolution because two pages that were supposed to be in the document were accidentally omitted. Strangely, the two missing pages happened to contain language crucial to the compromise that had persuaded moderates to agree to the budget. Just as strangely, the budget resolution contained only a 4 percent increase in spending — the amount George W. Bush originally wanted, not the 5 percent he had agreed to.

Whatever really happened, the fundamental cause of the mishap was that the Republican leadership was trying to pull a fast one — to rush through a huge tax cut before anyone had a chance to look at the details. Now the case of the missing pages has delayed things for a few days. So may I suggest that Congress — and Senate moderates in particular — check carefully around that Xerox machine? You see, there seem to be a few other pages missing from the budget plan.

For starters, we seem to be missing the page that factors in the likely cost of a missile defense system. (The page that explains how missile defense will work in the first place is missing from some other document.) Nobody knows how much this system will cost, but few think it will come in under \$100 billion.

We also seem to be missing the page that explains how the conventional defense buildup being planned by Secretary of Defense Donald Rumsfeld — reports suggest an extra \$25 billion per year on weapons systems alone, that is, \$250 billion or more over the next decade — is consistent with a budget that makes no room for increases in defense spending beyond those already proposed by the Clinton administration.

Then there's the page about prescription drug coverage under Medi-

**The farce
is with
us.**

care — a solemn pledge by Mr. Bush during the campaign. Everyone in Congress agrees that the \$115 billion allotted by the administration is laughably inadequate, that a realistic program would cost hundreds of billions more. But the extra money doesn't seem to be in the budget plan; maybe the missing page explains the discrepancy.

Somewhere near the page on prescription drug coverage we might find an explanation of the administration's position on the Medicare hospital insurance surplus — \$400 billion that both parties have promised to put in a "lockbox," but which the administration plans to devote to other uses. Presumably there's a missing page that explains why this isn't a naked plan to raid Medicare to pay for tax cuts.

Then there's the puzzle of how the administration plans to maintain government services in the face of a growing population while increasing spending no faster than inflation. Either some unspecified drastic cuts are planned or the spending numbers are at least \$400 billion too small. I'm sure there's a page somewhere that explains what's going on.

Not all the missing pages involve spending. Everyone familiar with the issue knows that the Bush tax cut will cause a crisis involving the Alternative Minimum Tax, causing the much-hated tax to apply to tens of millions of additional taxpayers. The inevitable fix will reduce revenue by at least \$300 billion, but there doesn't seem to be any allowance for that revenue loss in the budget. I guess there must be a missing page that explains why.

Finally, there's the page on Social Security reform. Because Social Security has been run on a pay-as-you-go basis, with each generation's taxes financing the previous generation's retirement, the system has a huge "implicit debt" — the money promised to people whose past contributions were used to support their elders. If Mr. Bush wants to partially privatize the system, he must pay off some of that implicit debt; to make his campaign proposal work would require infusing more than a trillion dollars into the Social Security system. But that money isn't in his

budget plan. There must be a missing page with some explanation of the omission.

Oh, and there's one more page missing: the one that explains why moderates should support a tax cut that, while slightly smaller than Mr. Bush wanted, is still irresponsibly large — and why they should put their names to a budget resolution that is patently, shamelessly dishonest. □